Determinants of Customer Dependence and its Effects on Customer Trust in Interpersonal based Buyer-Seller Relationships

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Abstract

Traditionally, customer dependence is viewed as a structural constraint in relationship outcomes. The effect of customer dependence on power, control and opportunistic behavior in buyer-seller relationship context is well researched. This paper views customer dependence as a positive relationship construct, identifies the determinants of customer dependence and explains the effects of customer dependence on customer satisfaction and customer trust. The paper is based on an empirical study carried out in farmer-chemical fertilizer retailer relationship - a commonly found interpersonal based buyer-seller relationship in India.

Conceptualization

Many customers in developing country like India build and maintain personal relationships directly with the small-scale retailers. Customer dependence, satisfaction, trust and loyalty on retailer play an important role for building and maintaining such relationships (Anderson and Narus, 1990; Morgan and Hunt, 1994; Andaleeb, 1995). There is considerable research in retailing that focuses on customer’s satisfaction, trust and loyalty (e.g. Westbrook, 1981; Macintosh and Lockshin, 1997; Reynolds and Beaty, 1999). Customer dependence has been studied in marketing channels and industrial buying literature (e.g. Andaleeb, 1995; 1996; Lusch and Brown, 1996; Gassenheimer, et al., 1996; Gassenheimer, et al., 1998; Joshi and Arnold, 1998) and not well in retailing. Retailing involves interpersonal based buyer-seller relationships. To the best of our knowledge in the field, no study has researched customer dependence in the interpersonal based buyer-seller relationships. In this paper, we have proposed a model on determinants of customer dependence and its effects on customer trust in interpersonal based buyer-seller relationships context.

We identified product familiarity and market uncertainty as two determinants of customer dependence. First, if the customers’ knowledge is limited in understanding their own requirements and how well the supplier’s product could be used, they have to depend on their supplier to supply the products in accordance with their requirements. Second, if there is perceived uncertainty about availability of alternative supplies and suppliers, it would act as an exit barrier for the relationship with one supplier and would lead to a dependence based relationship.

Further, we examined the effects of customer dependence on trust. We proposed two types of positive effects on trust - one direct effect and the other indirect effect via satisfaction. A widely prevailing argument suggests a hypothesis - increased levels of perceived customer dependence on the supplier has a negative impact on customer trust, which was however not empirically supported (Monczka et al., 2002; Handfield and Bechtel 2002). An interpersonal trust development perspective of Lewicki and Bunker (1996) is adopted in this paper to support the hypothesis – customer dependence on supplier leads to customer trust. Lewicki and Bunker (1996) posit three stages of trust development in interpersonal relationships in professional context: calculus-based trust, knowledge-based trust and identification-based trust. We equate
customer dependence to calculus-based trust and hence it further leads to enhancement of trust. We contend, even when the buyers are in dependent position, the extent and quality of experience gained during the interactions could lead to positive effects on trust. Similarly, majority of the studies that focus on TCA (transactional cost analysis) approach suggest direct or indirect negative causal relationship between dependence and satisfaction (Gassenheimer, et al., 1998; Andaleeb, 1996). By applying Lewicki and Bunker model, we contend, customer dependence also leads to satisfaction. Many studies empirically proved the positive relationship between satisfaction and trust (Batt and Rexha 1999; Kennedy et al. 2001).

Last, we proposed a negative moderating role of satisfaction on the relationship between customer dependence and trust to reemphasize that satisfaction acts as a major contributor in developing trust rather than dependence.

Method

A survey was carried out to empirically validate the model in farmer-chemical fertilizer retailer relationship, which is an example of a typical interpersonal based buyer-seller relationship in Indian context. Madurai, Pudukkottai and Trichy districts of Tamil Nadu state were selected for the study. One taluk having higher fertilizer consumption from each of the above districts was selected. A taluk is the major revenue, administrative and planning unit in the district. The total sample size for this study was 300 farmers. The questionnaire was first translated to Tamil and then was translated back to English with the help of English and Tamil language translators independently (Brislin, 1980; McGorry, 2000). The earlier version of the English questionnaire was compared to the back-translated questionnaire and inconsistencies were removed after consultation with the translators (Brislin, 1980; McGorry, 2000). All the variables included in the study were measured using the scales available in the literature [product familiarity - Oliver and Bearden (1985); market uncertainty - Batt (2000); customer dependence - Batt (2000); customer satisfaction - Kennedy et al. (2001); customer trust - Holden (1990)].

All the measures were subjected to convergent validity and discriminant validity test using AMOS. Hypotheses testing were carried out specifically for determinants of customer dependence and its direct effect on trust by Confirmatory Factor Analysis using AMOS. The indirect effect of customer dependence on trust via satisfaction and the moderation effect of satisfaction hypotheses were tested by multiple regression analysis using SPSS.

Major Findings

There are well-documented researches suggesting the importance of customer dependence for long-term buyer-seller relationships. But limited researches in marketing domain have looked at the phenomenon of customer dependence in the market place. Our study conceptualized and empirically tested the determinants of customer dependence and its effects on customer trust. The customer perception of market uncertainty was empirically proven as an important determinant for the customer dependence. Perceived product familiarity was also found to reduce customer dependence on the seller.
Our main contention of the study that analyzes the effect of customer dependence on customer trust was well supported. Basically, this result emphasized the applicability of interpersonal trust development perspective in interpersonal based buyer-seller relationships. We view the development of calculus-based trust as a process that leads to the customer dependence. The possible subsequent interactions between the buyer and seller add to the knowledge of each other and positive experiences, which could possibly lead to information symmetry between them. Information symmetric situation between the buyer and seller evolves when the customer has identification-based trust on the seller. Identification-based trust between the buyer and seller leads to joint goals, cooperative behavior, collective decision-making and collective efforts. Hence, this result negates the exaggerated negative consequences of customer dependence in buyer-seller relationships.

Our other contention of the study, the customer dependence has positive impact on customer satisfaction, did not get empirical support. We suggest this research question for further probe. Finally, our last hypothesis is related to the negative moderating effect of customer satisfaction on the positive relationship between customer dependence and customer trust was also supported. This result again emphasizes the importance of customer satisfaction in creating customer trust when compared to other variables.

References


